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Photo: Jan Truter/Flickr

## Taken by surprise

How older workers struggle with a higher retirement age

KÈNE HENKENS, HANNA VAN SOLINGE,  
MARLEEN DAMMAN & ELLEN DINGEMANS

**Until 2006 the Netherlands, like many other European countries, had a very strong “early retirement culture”. But that is history now. Early exit routes have been closed, and moreover, State Pension Age will increase to 67. Employees and employers need to change their perspectives on retirement in response to pension reforms that have taken place in quick succession. New NIDI research shows how older workers are reacting to the changing pension landscape: many feel they have been taken by surprise and there is a great deal of anger. For a large group of older workers, retiring later is not as easy as it may seem.**

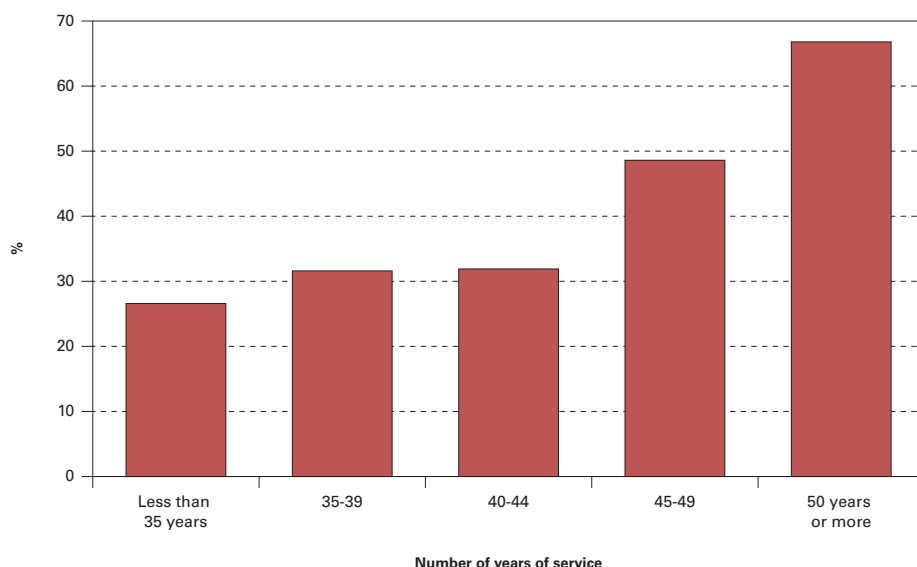
The Dutch pension landscape is in a state of flux. Employees born in or after 1950 have seen a rapid increase in the retirement age within a relatively short timespan. The need for these reforms was broadly accepted in society and the introduction of the pension reforms did not meet with strong opposition. Nevertheless, for a large group of employees, the date of retirement they had been banking on for years disappeared fairly abruptly. This is clearly visible in the answers of the participants in the NIDI Pension Panel Study (for information on the Panel see Box, p. 2).

The average state pension age of the participants in the study, all of whom were born between 1950 and 1955 was 66.4 – already considerably higher than the previously fixed state pension age of 65. The respondents were asked at what age they expected to retire from their current jobs and the age at which they would prefer to retire. On average, people aged 60 and over said they expected to retire at 65.7. The preferred retirement age, however, was much lower: on average 63.4. This is three years earlier than state pension age. Under the new pension system, retiring earlier would be a very costly affair (each year of earlier retirement would mean a pension cut of about 8 percent). Most employees, therefore, expect to retire shortly before or at the new retirement age. One in ten think they will continue working beyond age 67.

### Fit as a fiddle?

As the retirement age shifts, we need to address issues about health and well-being.

**Figure 1.** Percentage of employees aged 60 and over who are (very) angry about the rising retirement age by number of years of service, the Netherlands, 2015



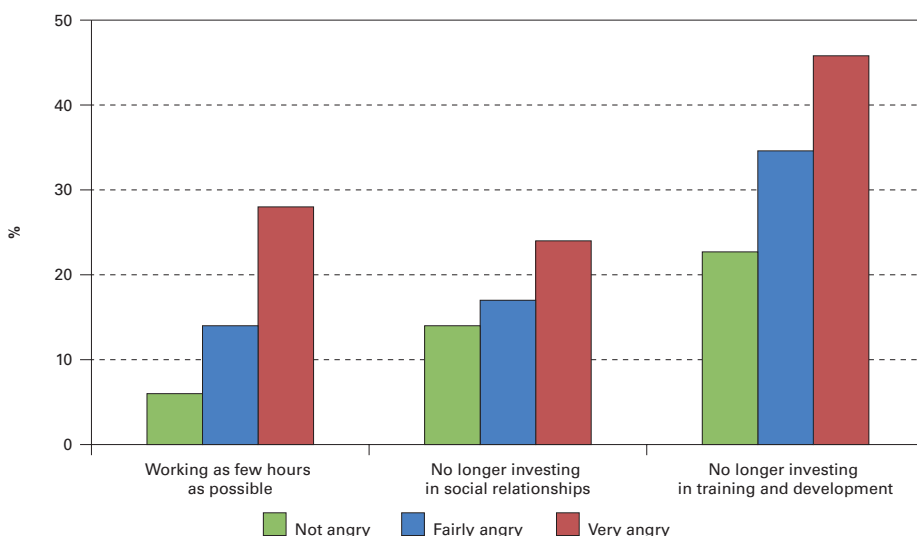
Source: NIDI (Dutch) Pension Panel Study.

#### NIDI PENSION PANEL STUDY

In 2015, NIDI started a panel study of 6,800 employees (55% men and 45% women) aged 60 and over who were participants in one of the three largest pension funds in the Netherlands. The pension funds represent the government sector, education, health, welfare and the construction industry. The study seeks to gain better insight into the retirement process and the forces influencing this process. Special attention is given to the question whether older workers succeed in adjusting to pension reforms. This article reports on the first results of the panel study.

Seven out of ten older workers in the panel report at least one chronic illness, ailment or disability diagnosed by a doctor. One quarter even have three or more ailments. Over 40 percent are slightly (35%) or seriously (9%) hampered in their work due to health problems. We see big differences in health according to level of education. Although the average number of health issues is the same, the less educated indicated much more frequently that they were impaired by their health problems (55%) than the more highly educated (38%). We also see differences between levels of education in terms of job demands. While a majority of the lower educated (62%) find their work physically demanding, a majority of the respondents with a higher level of education experienced stress at work instead (66%). One third of the lower educated have a job that is both physically demanding and stressful; this percentage is much lower among the better educated (13%). These findings suggest that extending one's working life does not come easily to many employees aged 60 and over.

**Figure 2.** Percentage of employees aged 60-plus by the degree to which they are angry about the rising retirement age and by the dimension of disengagement, the Netherlands, 2015



Source: NIDI (Dutch) Pension Panel Study.

#### Taken by surprise

Although policymakers in the Netherlands have been discussing pension reforms since the 1990s, the changes still took many employees by surprise. Four in ten participants said they were caught off guard to a greater or lesser extent by the upward adjustment of the retirement age. Many feel they have been treated unfairly: 44 percent of all participants are angry or very angry about the later retirement age. Another cause for irritation is the fact that they are expected to continue working, but that there is little support for this within the organisations they work for. People with a long working life behind them (45 or more years of service at retirement) were particularly angry (Figure 1). Anger also appears to be stronger among people who are more hampered in their work due to health problems.

#### Anger and performance

Anger affects performance at work. We examined the extent to which employees aged 60 and over are taking a step back or disengaging from their work in terms of attitude and behaviour ahead of actual retirement. We addressed three dimensions: cutting back working hours, no longer investing in social relationships at work and no longer putting effort in training and development. Seventeen percent of the employees said they agreed, or agreed fully with the statement "I seize every opportunity to work fewer hours". Almost 20 percent agreed, or agreed fully with the statement "I'm investing less and less energy in getting to know new colleagues". More than 35 percent agreed with the statement "I'm no longer interested in new training courses". As shown in Figure 2, older workers who are angry that the retirement age has been raised are more likely to start disengaging from work. For example, 28 percent of those who are angry are keen to work as few hours as possible. This is the case among only 6 percent of those who are not angry. Half of all employees were detaching from work on one of the three dimensions mentioned.

#### The future

In the Netherlands, the longtime culture of early retirement has ended. Older workers have no choice but to adjust to later retirement. The first results of the NIDI Pension Panel Study among employees aged 60 and over show that this is no easy task. While many older workers have difficulty coping with the physical and mental demands of their jobs, others are dissatisfied with the succession of policy measures to which they have had to adapt in a relatively short timespan. Large numbers of older workers are taking a step back out of frustration. Half of the employees in our study had started detaching from their work in one way or another ahead of actual retirement. The future will tell whether this is a temporary phenomenon or whether frustration will gather force as the retirement age is raised further.

**Kène Henkens, Hanna van Solinge, Marleen Damman & Ellen Dingemans**, NIDI,  
e-mail: [henkens@nidi.nl](mailto:henkens@nidi.nl) and [solinge@nidi.nl](mailto:solinge@nidi.nl)